

**STATE OF NEW JERSEY  
DEPARTMENT OF CHILDREN AND FAMILIES**

**TO:** The Provider Agency's Licensed Public Accountant

**SUBJECT:** DEPARTMENT OF CHILDREN AND FAMILIES REQUIREMENTS  
FOR COMPLETION OF PROVIDER AGENCY AUDIT

The purpose of this memo is to communicate the Department of Children and Families (the Department) audit requirements for conducting Single Audits and Yellow Book audits **with additional Department requirements** of organizations or agencies which contract with the Department to provide social or training services to the Department's clients.

- A. All Provider Agencies which expend either \$500,000 or more in Federal Awards or \$500,000 or more in State Awards, within their fiscal year, in which the Department is the largest funding source (Cognizant), must have an annual single audit performed in accordance with Federal OMB Circular A-133 and Department policy. The reporting requirements are outlined in Sections F and G of this memo. These Provider Agencies must also complete a Notification of Licensed Public Accountant (NLPA) form (Attachment 2).
- B. All Provider Agencies which expend \$100,000 or more in combined Federal and State Awards but less than either \$500,000 in Federal Awards or \$500,000 in State Awards, within their fiscal year, in which the Department is Cognizant, must have an annual organization-wide financial statement audit performed in accordance with generally accepted auditing standards, Government Auditing Standards (Yellow Book audit) **and additional Department requirements as described below.**

This audit report shall be in accordance with Section F, which includes a supplemental Schedule of Expenditures of Federal Awards and/or a supplemental Schedule of Expenditures of State Awards. A combined supplemental Schedule of Expenditures of Federal and State Awards is acceptable. The Independent Auditor's Report shall contain an opinion on each Schedule of Expenditures of Federal and State Awards that is presented in the audit report. These Provider Agencies shall also complete Attachment 2 (NLPA form).

- C. Provider Agencies that either expend less than \$100,000 in combined Federal and State Awards or have another New Jersey State department as the Cognizant department should not complete the NLPA form. Organization-wide audits are not required by the Department under these circumstances. If another Cognizant department requires an organization-wide audit of **this** Provider Agency, that audit report shall be forwarded to the Department of Children and Families when requested.
- D. Provider Agencies that receive any amount of funding from the Department, including those that expend less than \$100,000 in combined Federal and State Awards, within their fiscal year, are subject to audit by the Department or its representatives at their discretion. It does not matter whether the Department is

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Cognizant. Records must be made available on request, which adequately identify the source and application of funds awarded. As in all audits, accounting records must be supported by source documentation.

E. The audit of a Provider Agency must be conducted:

1. By individual(s) with the following credentials -
  - a. A licensed certified public accountant or person working for a licensed certified public accounting firm; or
  - b. A public accountant licensed on or before December 31, 1970, or persons working for a public accounting firm licensed on or before December 31, 1970, sufficiently independent as defined by GAO standards, to produce unbiased opinions, conclusions, or judgments;
2. Annually on the Provider Agency's fiscal year;
3. On an organization-wide basis to ascertain that the financial statements fairly present the financial position and results of operations, or changes in net assets, and where appropriate, cash flows;
4. And completed within 120 days of the Provider Agency's fiscal year end; and
5. In accordance with (as currently amended) -
  - a. Generally accepted auditing standards established by the American Institute of Certified Public Accountants (AICPA).
  - b. Government Auditing Standards established by the Comptroller General of the United States and issued by the U.S. General Accounting Office.
  - c. The AICPA audit and accounting guides Audits of States, Local Governments and Nonprofit Organizations and, as applicable, AICPA industry audit guides and Statements of Position.
  - d. Federal Single Audit Act of 1984 (P.L. 98-502) and the Single Audit Act Amendments of 1996 (P.L. 104-156) if expenditures of Federal or State Awards are \$500,000 or more.
  - e. Federal OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations" if expenditures of Federal or State Awards are \$500,000 or more.
  - f. Federal OMB Circular A-133 Compliance Supplement.

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- g. Applicable Federal OMB Circulars A-87 “Cost Principles for State and Local Governments” or A-122 “Costs Principles for Nonprofit Organizations.”
  - h. New Jersey Department of the Treasury, OMB Circular 04-04 “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.”
  - i. New Jersey Department of the Treasury, OMB “State Grant Compliance Supplement.”
  - j. New Jersey Department of Children and Families’ Contract Policy and Information Manual and Contract Reimbursement Manual.
- F. The Yellow Book audit report **with additional Department requirements** must include the following -
- 1. An opinion or disclaimer of opinion on the financial statements taken as a whole.
  - 2. Presentation of financial statements in accordance with the following applicable AICPA audit and accounting guides – Audits of States, Local Governments and Nonprofit Organizations, and as applicable, industry audit guides, and Statements of Position.
  - 3. A supplementary schedule and opinion thereon of the Provider Agency’s expenditures of State and Federal Awards, showing expenditures by program (see the AICPA’s audit guides, Audits of States and Local Governments, and Audits of Not-for-Profit Organizations).
  - 4. A Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
  - 5. Disclosure in the notes to the financial statements if penalty and interest are incurred for late payment or filing of payroll taxes during the year of audit.
  - 6. Presentation of each significant deficiency and material compliance finding should include the condition, criteria, cause, effect, recommendation, management's response **and a corrective action plan. If identified as such, management’s response and corrective action plan may be combined.**
  - 7. A copy of the management advisory letter when provided as a routine part of the audit engagement.
  - 8. A report on irregularities or illegal acts, or indications of such acts when discovered (a separate written report is required).

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G. The Single Audit report must include the following:

1. All the components of Paragraphs F.1 through F.8 as noted above;
2. A Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133;
3. A Summary Schedule of Prior Audit Findings in accordance with Section 315(b) of Federal OMB Circular A-133;
4. A Schedule of Findings and Questioned Costs in accordance with Section 505(d) of Federal OMB Circular A-133; and
5. A data collection form if Federal expenditures are \$500,000 or more. Both the data collection form (A-133, Section 320(b)) and the reporting package (A-133, Section 320(c)) must be forwarded to the Federal clearinghouse within 9 months of the audit fiscal year end.

H. Additional Requirements:

1. If the audit uncovers or suggests any irregularities or illegal acts, knowledge of these acts must be communicated immediately by the independent public accountant to the, DCF Office of Auditing, PO Box 717, Trenton, New Jersey 08625-0717.
2. The audit workpapers and reports must be retained by the independent public accountant for a minimum of seven years from the date of the audit report unless the accountant is notified in writing by the Department for the need to extend the retention period. The audit workpapers and reports shall be made available upon request to the Department or its designee(s).
3. The independent accountant is subject to an external quality control review in accordance with Government Auditing Standards at least once every three years.
4. Individuals who audit Federal and State funds, and are responsible for planning or directing an audit, or conducting substantial portions of the fieldwork or reporting on the audit, are required to obtain the **Continuing Professional Education credits necessary to fulfill the requirements of Government Auditing Standards.**